

**FILED**

**JUN 14 2000**

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NORTH CAROLINA **PEGGY B. DEANS, CLERK**  
RALEIGH DIVISION **U.S. BANKRUPTCY COURT**  
**EASTERN DISTRICT OF N.C.**

IN RE: ) CHAPTER 7  
INTERNATIONAL HERITAGE, INC. ) CASE NO. 98-02675-5-ATS  
INTERNATIONAL HERITAGE, )  
INCORPORATED, ) CHAPTER 7  
Debtors. ) CASE NO. 98-02674-5-ATS

**ORDER AUTHORIZING TRUSTEE TO ENTER  
INTO SETTLEMENT AGREEMENT**

This matter comes on for the consideration of the undersigned upon the Application of Trustee for Authority to Enter into Settlement Agreement ("Application") filed May 16, 2000 by Holmes P. Harden, Trustee, in the above-captioned case. It appears to the Court as follows:

**FINDINGS OF FACT**

1. International Heritage, Inc. and International Heritage, Incorporated filed voluntary petitions in bankruptcy on November 25, 1998 and Holmes P. Harden ("Trustee") was appointed Chapter 7 Trustee.
2. The Montana Securities Commissioner on April 3, 1998 issued a Cease and Desist Order against International Heritage, Inc. and International Heritage, Incorporated alleging violations of the Securities Act of Montana in the offer and sale of business opportunities and the offer and sale of stock and debentures. On or about April 20, 1998, the Montana State Auditor's office issued a First Amended Cease and Desist Order, a copy of which is attached as part of Exhibit A to Exhibit I hereto.

3. An administrative hearing would be necessary to establish the violations of the Securities Act of Montana alleged in the Cease and Desist Order.

4. Trustee does not oppose making permanent the relief ordered in the Cease and Desist Order if no civil fines are imposed against the debtor estates and there is no finding or admission of liability.

5. The State Auditor and Trustee have agreed that after reviewing this case, it is in the best interest of the State Auditor's Office and International Heritage that the parties enter into a stipulated settlement.

6. Trustee is of the opinion that settling the above described controversy is fair and reasonable and is in the best interest of the expeditious administration of the Debtors' estates, given the uncertainty, complexity, expense, inconvenience and delay of litigation. Trustee therefore deems it appropriate and consistent with his duties and the paramount interest of creditors to enter into the proposed Settlement Agreement and Consent Order with the Montana Securities Commissioner because the settlement concludes complex litigation at no cost to the estates and saves the cost of defending same in Montana, without any admissions of liability by the Debtors.

7. Trustee is authorized to execute the Settlement Agreement with court approval.

8. Notice of the Application was properly served upon creditors and parties in interest.

**CONCLUSIONS OF LAW**

9. The proposed settlement is fair and reasonable. Approval of the proposed settlement is in the best interests of the expeditious administration of the Debtors' estates, given the complexity, uncertainty, expense, inconvenience and delay of litigation.

WHEREFORE, IT IS ORDERED, ADJUDGED AND DECREED that the Application is hereby APPROVED. The court hereby authorizes the parties to execute the Settlement Agreement attached hereto as Exhibit "I".

This the 14<sup>th</sup> day of June, 2000.

  
\_\_\_\_\_  
UNITED STATES BANKRUPTCY COURT JUDGE

1 STATE AUDITOR'S OFFICE  
2 SECURITIES DEPARTMENT  
3 HELENA, MONTANA

4 IN THE MATTER OF: ) Case No.: No. I 04-02-98-04

5 INTERNATIONAL HERITAGE, INC., ) SETTLEMENT AGREEMENT and  
6 STANLEY H. VAN ETEN, CLAUDE W. ) CONSENT ORDER  
7 SAVAGE, LARRY G. SMITH, and )  
INTERNATIONAL HERITAGE )  
8 INCORPORATED, a Nevada Corporation, )  
and their agents and representatives, )  
9 Respondents. )

10 This agreement is made by and between the Montana Securities Commissioner and  
11 Holmes Harden, trustee in bankruptcy for International Heritage Inc. and International Heritage  
12 Incorporated, Respondents in the above captioned matter.

13                   A.     Recitals

14       1.     International Heritage, Inc., (IHI) was a North Carolina corporation whose  
15 principal offices were located in Raleigh, North Carolina. International Heritage, Inc., was a  
16 majority owned subsidiary of International Heritage Incorporated, a Nevada Corporation (IHIN)  
17 (formerly "Kara International, Inc."). On or about November 25, 1998, International Heritage  
18 Inc. and International Heritage Incorporated filed a petition pursuant to Chapter 7 of the  
19 Bankruptcy Code in the Eastern District of North Carolina. Holmes P. Harden was appointed  
20 Chapter 7 Trustee by the Bankruptcy Court.

21       2.     The Montana Securities Commissioner on April 3, 1998, issued a Cease and  
22 Desist Order against International Heritage, Inc., and International Heritage, Incorporated  
23 alleging violations of the Securities Act of Montana in the offer and sale of business  
24 opportunities and the offer and sale of stock and debentures. On or about April 20, 1998, the  
25 Montana State Auditor's office issued a First Amended Cease and Desist Order, a copy of which  
is attached as Exhibit A hereto. Those orders alleged specifically that Respondents violated the



1 anti-fraud and registration provisions of the Securities Act and that Respondents operated an  
2 illegal pyramid scheme in Montana.

3       3. An administrative hearing would be necessary to establish the violations of the  
4 Securities Act of Montana alleged in the cease and desist order.

5       4. Mr. Harden does not oppose making permanent the relief ordered in the Cease  
6 and Desist Order if no civil fines are imposed against the corporate respondents' estate or  
7 otherwise against the corporate respondents.

8       5. The State Auditor and Mr. Harden agree that after reviewing this case, it is in the  
9 best interest of the State Auditor's Office and International Heritage that the parties enter into a  
Stipulated Settlement Agreement.

#### **B. Stipulation**

By virtue of his capacity as bankruptcy trustee and with the authority of the United States Bankruptcy Court for the Eastern District of North Carolina, Mr. Harden, on behalf of International Heritage Inc. and International Heritage Incorporated, without admitting the allegations set forth in the Cease and Desist Order and the First Amended Cease and Desist hereby stipulates and consents to the following:

1. To the entry of a permanent cease and desist order in the above-captioned matter with respect to International Heritage Inc. and International Heritage Incorporated:

2. To provide truthful and complete testimony in any future proceedings relating to this matter:

3. To waive the right of International Heritage Inc. and International Heritage  
Incorporated to a hearing on the allegations contained herein;

4. To agree that International Heritage Inc. and International Heritage Incorporated will comply with the Securities Act of Montana, and the rules and orders promulgated thereunder in the future:

5. To agree that International Heritage Inc. and International Heritage Incorporated are permanently barred from conducting securities business in Montana:

6. To agree that International Heritage Inc. and International Heritage Incorporated are permanently barred from offering and selling products and business opportunities in Montana;

7. To agree that International Heritage Inc. and International Heritage Incorporated are permanently barred from engaging in multi-level marketing in Montana;

8. To agree that International Heritage Inc. and International Heritage Incorporated are permanently barred from insurance transactions that are regulated by the Montana Insurance Code;

9. To agree that the debtors' estates will not sell the name and/or logo of International Heritage Inc. and International Heritage Incorporated in Montana or consent to their use in Montana by any individual or entity in any capacity, including but not limited to the offer or sale of securities, business opportunities or products in Montana;

Pursuant to the stipulation and consent of Holmes P. Harden, Chapter 7 Bankruptcy Trustee for International Heritage Inc., and International Heritage, Incorporated, with the authorization of the United States Bankruptcy Court for the Eastern District of North Carolina, the Commissioner, under authority of the Securities Act of Montana and §2-4-603, MCA, hereby agrees that if the terms and conditions of this agreement are fully met, he will not pursue further civil or administrative action against International Heritage Inc. or International Heritage Incorporated regarding the allegations contained therein pursuant to §30-10-305, MCA.

ORDER

WHEREFORE, it is hereby ordered that the above-referenced Cease and Desist Order, as amended, is made permanent. It is further ordered that International Heritage Inc. and International Heritage Incorporated are permanently barred from engaging in the business of securities in Montana. It is ordered that International Heritage Inc. and International Heritage Incorporated are permanently barred from engaging in the offering of products and business opportunities in Montana. It is ordered that International Heritage Inc. and International Heritage Incorporated are permanently barred from engaging in multi-level marketing in

1 Montana. It is ordered that International Heritage Inc. and International Heritage Incorporated  
2 are permanently barred from insurance transactions that are regulated by the Montana Insurance  
3 Code.

4 WE CONSENT:

5 DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

6

7 RESPONDENT INTERNATIONAL HERITAGE INC. and  
INTERNATIONAL HERITAGE INCORPORATED

8 By: Holmes P. Harden  
9 Its: Bankruptcy Trustee

10 Subscribed and Sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2000.

11 (SEAL)

12 Notary Public for the State of \_\_\_\_\_  
Residing at \_\_\_\_\_  
13 My commission expires \_\_\_\_\_

14

15 DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

16

17 Mark O'Keefe, State Auditor and  
Commissioner of Securities

1 STATE AUDITOR'S OFFICE  
2 SECURITIES DEPARTMENT  
3 HELENA, MONTANA

4 IN THE MATTER OF: ) CASE NO. I-04-02-98-04  
5 International Heritage, Inc., )  
Stanley H. Van Etten, )  
6 Claude W. Savage, )  
Larry G. Smith, )  
7 and )  
International Heritage, )  
8 Incorporated, a Nevada corporation,)  
and their agents & )  
representatives, )  
10 Respondents. )

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12 The Montana Securities Commissioner (commissioner), pursuant  
13 to the authority of the Securities Act of Montana, § 30-10-101, et  
seq., hereby issues the following findings of fact, conclusions of  
15 law, order and notice of right to a public hearing:

16 FINDINGS OF FACT

17 1. International Heritage, Inc., (IHI) is a North Carolina  
18 corporation whose principal offices are located in Raleigh, North  
19 Carolina. International Heritage, Inc., is a majority owned  
20 subsidiary of International Heritage Incorporated, a Nevada  
21 Corporation (IHI-N) (formerly "Kara International, Inc.").

22 2. Stanley H. Van Etten (Van Etten), is a founder, chairman  
23 of the board of directors, president, and chief executive officer  
24 of IHI, and is chairman of the board and chief executive officer of  
25

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1 IHIN.

2       3. Claude W. Savage (Savage) is a founder and a director of  
3 IHIN and is director of IHIN-N.

4       4. Larry G. Smith (Smith) is a founder and director of IHIN  
5 and a director of IHIN-N.

6       5. Johnny Daniels (Daniels) is an independent sales  
7 representative of IHIN who resides in Malta, Montana. Daniels  
8 conducts IHIN training sessions and has marketed IHIN business center  
9 interests in Montana.

10      6. IHIN, its principals, employees, and agents solicited  
11 investments in IHIN's program in Montana through the use of  
12 promotional materials, videotapes, recruitment meetings, and  
13 internet web sites. IHIN, through Van Etten, Savage, Smith,  
14 Daniels, and others solicited residents of Kalispell, Anaconda,  
15 Butte, Billings, Bozeman, Lewistown, Great Falls, Glasgow, Malta,  
16 Glendive, Roundup, Forsyth, Havre, Columbia Falls, Stevensville,  
17 Helena, and other Montana towns to invest in a pyramid scheme.

18      7. IHIN interests are described as "business centers," of  
19 which an investor may open one, three, or seven. In order to open  
20 or create a "certified" business center, Montana investors were  
21 generally required to pay the sum of \$200.00 to \$250.00 toward the  
22 purchase of an IHIN product, sign a "retail business agreement,"  
23 purchase an IHIN retail business career kit for \$100, and pay a  
24 \$25.00 administrative fee.

25

1       8. At all times material hereto, IHI solicited Montana  
2 investors through the purported use of a "multi-level" marketing  
3 program in which prospective investors are recruited by investors  
4 who have already purchased interests in IHI. IHI established an  
5 incentive for recruitment of downline sales representatives by  
6 promising payment of override commissions to independent sales  
7 representatives for IHI product and business center sales by that  
8 representative's downline (retail sales organization).

9       9. According to the IHI's bi-lateral compensation plan,  
10 independent sales representatives could earn override commissions  
11 only if their own retail business center was "certified."

12      10. At all times material hereto, IHI promotional and sales  
13 materials indicated that investors could earn up to \$2,200 to  
14 \$2,500 per retail business center weekly. These projected earnings  
15 were based on the recruitment of downline independent sales  
16 representatives, rather than the sale of products on the retail  
17 market. Similarly, the compensation structure, which included a  
18 compensation cap attached to single business center earnings,  
19 encouraged the purchase of multiple business centers by investors.

20      11. Although commissions on the sale of products were  
21 described in the promotional and sales material, the income from  
22 the development of the retail sales organization was emphasized as  
23 the significant source of income from involvement with IHI.  
24 Similarly, IHI disproportionately emphasized retail sales  
25

1 organization development through the promise of bonuses and  
2 commissions which were not available to an independent sales  
3 representative whose organization focused on retail product sales.

4       12. At all times material hereto, the IHCI compensation  
5 structure and sales pitch regarding "leveraging retail sales  
6 business volume" served as incentive to develop the downline and  
7 disincentive to generate retail sales business volume through the  
8 sale of IHCI products, thus perpetuating the pyramid scheme. The  
9 IHCI sales kit contains a book co-authored by Van Etten which  
10 emphasizes the importance of downline regeneration. In addition to  
11 emphasizing the importance of geometric growth in marketing the IHCI  
12 interests, IHCI's training materials clearly discourage independent  
13 sales representatives from developing the retail sale portion of  
14 the representatives' businesses. Van Etten's book states:

15       There are two things that the successful network marketer must  
16 be very good at doing which are altogether foreign to the  
17 traditional salesperson: (1) He must be an organization  
18 builder, and (2) He must be a teacher. We will speak of these  
19 two things at much greater length later in this chapter, but  
20 suffice it to say at this point that there is nothing in the  
21 experience of the traditional salesperson that would cause him  
22 to assign any value to either of these two skills which are so  
23 essential to the individual who wants to succeed in network  
24 marketing. In fact, the traditional salesperson's natural  
25 tendency would be to see both organization-building and  
teaching as irrelevant obstacles to be swept out of the way of  
what he sees as the one all-important task of every  
salesperson - selling.

\*\*\*

23       Earlier in this chapter we said that there is a risk in  
24 sponsoring persons who have considerable experience in direct  
25 sales. This is a good place to explain why that is the case.  
An experienced salesperson might come into your downline and  
recruit like crazy. But if he fails to teach his recruits

1 the importance of the company's multilevel sales structure and  
2 the necessity for "keeping it going," then he would fill your  
downline organization with dead-end roadblocks. (Emphasis in  
original).

3

4 13. Though references to minimum retail sales requirements  
5 and inventory loading prohibitions are included in the independent  
6 retail sales representative manual, IHI's compensation program is  
7 based on orders of products, rather than actual sales of products,  
8 and override commissions are promised for orders made within the  
9 retail sales organization. Furthermore, IHI's program structure  
10 does not provide a method by which inventory loading requirements  
11 and requirements for retail sales to non-participants are  
12 meaningfully enforced. As of the date of this order, a  
13 disproportionate amount of products ordered from IHI through the  
14 use of the "retail business agreement" in Montana have never been  
15 received by the purchasers of the product.

16 14. On or about March 28, 1996, IHI issued a memorandum  
17 addressed to all IHI representatives which required that  
18 representatives wishing to conduct due diligence on the company  
19 should direct "all of [their] compliance, regulatory and legal  
20 questions to the Compliance Department at the home office rather  
21 than the Better Business Bureau or state regulators." IHI further  
22 stated that "[i]f enough inquiries are made to any one particular  
23 regulatory branch, within a particular state, the result could be  
24 an investigation of the Company spurned {sic} by the mere volume of  
25

1 calls." The memorandum further stated that:

2       The reason IHI is one of the only multilevel marketing  
3       companies with a Compliance Department is so representatives  
4       will have a source for receiving answers to compliance,  
5       regulatory and legal questions and to assure that the Company  
6       operates in compliance with the myriad of regulations  
7       affecting a direct marketing sales company with operations in  
8       48 states and 3 Canadian provinces.

9       Though the memorandum was written in March, 1996, it was included  
10      in an IHI business retail business career kit sold to a Montana  
11      resident months later.

12      15. Despite IHI's claims in sales presentations and materials  
13      that its program complies with state and federal laws that affect  
14      direct marketing organizations, IHI entered into agreements  
15      limiting IHI activities in the state of North Carolina on June 3,  
16      1997, and in the state of Georgia on February 10, 1998, as a result  
17      of regulatory concerns in those states. North Carolina regulators  
18      alleged that IHI violated North Carolina pyramid laws. These  
19      actions were not disclosed to Montana residents offered or sold IHI  
20      business center interests.

21      16. Between August 5, 1997, and October 31, 1997, IHI,  
22      through Van Etten, Savage, Smith, and others, raised \$5 million by  
23      selling IHI notes convertible into IHI common stock, to  
24      approximately 95 persons in fourteen states, including at least 6  
25      persons in Montana.

26      17. On August 14, 1997, IHI filed a notice filing for an  
27      exemption on Form D, indicating it sold an aggregate of \$295,00 of  
28

1 IHI units to six accredited Montana investors. The application  
2 indicated that WIN Capital was the broker/dealer making offers  
3 and/or sales to Montana investors.

4 18. In connection with the offer and sale of IHI notes, IHI  
5 authorized the use of a "term sheet," dated July 17, 1997, which  
6 disclosed that IHI had losses of approximately \$1.9 million during  
7 the first four months of 1997. The term sheet did not disclose  
8 that by the time of the offering IHI's losses for the year had  
9 increased to \$7.6 million, and that IHI had a shortage of operating  
10 funds.

11 19. The term sheet states that IHI pays commissions and  
12 bonuses "derived solely from sales as opposed to headhunting or any  
13 similar activities," despite IHI's emphasis on compensation  
14 opportunities based on recruitment and development of retail sales  
15 organizations.

16 20. The term sheet states that representatives "who sponsor  
17 other representatives must fulfill supervisory activities,  
18 including ongoing communication and managerial supervision with the  
19 IRSRs within their Retail Sales Organization in order to qualify  
20 for ongoing commissions and bonuses," despite the absence of  
21 enforcement efforts by IHI to ensure compliance.

22 21. The term sheet represents that IHI has a "a prohibition  
23 from presenting hypothetical earnings projections" in sales  
24 presentations, despite IHI's standard use of projections that each  
25

1 business center could earn up to \$2,500 weekly.

2       22. Daniels, an IHI representative in Malta, Montana, offered  
3 Malta, Montana, residents the opportunity to purchase IHI notes in  
4 June, 1997.

5       23. IHI represented to the Montana Securities Department that  
6 the offering of IHI notes would be conducted by WIN Capital Corp.,  
7 a registered broker-dealer. Daniels is not now, nor has he ever  
8 been registered as a salesperson with WIN Capital Corp.

9       24. The records of the Montana Securities Department disclose  
10 that Respondents were not registered as broker-dealers or salesmen  
11 in this state prior to the date of this Order.

12       25. The records of the Montana Securities Department disclose  
13 that the IHI business center program offered by Respondents was not  
14 registered as a security in this state prior to the date of this  
15 Order.

16       26. In connection with the above offers of IHI business  
17 center interests to persons in Montana, Respondents failed to  
18 disclose the following material facts which facts were necessary to  
19 disclose in order to make the statements made about the investment,  
20 in light of the circumstances under which they were made, not  
21 misleading:

22           a. the market for IHI business center interests will  
23 eventually become saturated as the supply of new members declines  
24 and representatives recruited near the bottom of the retail sales  
25

1 organization structure may be unable to generate promised returns;

2 b. IHI was the subject of regulatory actions or inquiries in  
3 at least three other states based on the allegation that IHI's  
4 program violated state pyramid and securities laws;

5 c. that Savage and Smith were previously involved in a  
6 pyramid scheme which was the subject of state and federal  
7 administrative and criminal proceedings, including the issuance of  
8 a permanent cease and desist order in Montana;

9 d. that IHI was not an authorized dealer for some of the  
10 products listed in its retail sales catalogs and brochures; and,

11 d. at all times material hereto, IHI's program was not  
12 registered as a security in the state of Montana.

13 27. In connection with the above offers and sales of IHI  
14 notes convertible to IHI common stock to persons in Montana,  
15 Respondents failed to disclose the following material facts which  
16 facts were necessary to disclose in order to make the statements  
17 made about the investment, in light of the circumstances under  
18 which they were made, not misleading:

19 a. that IHI's losses for the year of 1997 had increased to  
20 \$7.6 million from the \$1.9 million listed in IHI offering circular;

21 b. that IHI's compensation scheme is premised primarily on  
22 recruitment of new members;

23 c. that IHI did not adequately monitor or enforce compliance  
24 with IHI policies and procedures by independent sales  
25

1 representatives; and,

2 d. that IHII markets the business center program utilizing  
3 and emphasizing hypothetical earnings projections.

4 28. In connection with the above offers of securities to  
5 persons in Montana, Respondents engaged in an act, practice, or  
6 course of business which operates or would operate as a fraud or  
7 deceit upon any person in that:

8 a. the IHII business center program constituted a pyramid  
9 scheme; and,

10 b. IHII directed sales representatives not to contact state  
11 regulators in order to avoid investigations or inquiries into the  
12 IHII business center program.

13 CONCLUSIONS OF LAW

14 1. The commissioner has jurisdiction over this matter by  
15 reason of Respondents' offer and sale of securities to persons in  
16 or from Montana.

17 2. Respondents' program is a security within the meaning of  
18 the Securities Act of Montana, § 30-10-103(22), MCA.

19 3. Offer or offer to sell includes "every attempt or offer  
20 to dispose of or solicitation of an offer to buy a security or  
21 interest in a security for value." Section 30-10-103(15), MCA.

22 4. In connection with the above offers of securities to  
23 persons in Montana, Respondents violated § 30-10-201(1), MCA, by  
24 transacting business as broker-dealers or salesmen in Montana

25

1 without registering as such.

2       5. In connection with the above offers of securities to  
3 persons in Montana, Respondents violated § 30-10-202, MCA, by  
4 transacting business in unregistered securities.

5       6. In connection with the above offers of securities to  
6 persons in Montana, Respondents violated § 30-10-301(1) (b), MCA, by  
7 failing to disclose the following material facts, which facts were  
8 necessary to disclose in order to make the statements made about  
9 the investment, in light of the circumstances under which they were  
10 made, not misleading:

11       a. the market for IHCI business center interests will  
12 eventually become saturated as the supply of new members declines  
13 and representatives recruited near the bottom of the retail sales  
14 organization structure may be unable to generate promised returns;

15       b. IHCI was the subject of regulatory actions or inquiries in  
16 at least three other states based on the allegation that IHCI's  
17 program violated state pyramid and securities laws;

18       c. that Savage and Smith were previously involved in a  
19 pyramid scheme which was the subject of state and federal  
20 administrative and criminal proceedings;

21       d. that IHCI was not an authorized dealer for some of the  
22 products listed in its retail sales catalogs and brochures; and,

23       d. at all times material hereto, IHCI's program was not  
24 registered as a security in the state of Montana.

25

1       7. In connection with the above offers of securities to  
2 persons in Montana, Respondents violated § 30-10-301(1)(b), MCA, by  
3 failing to disclose the following material facts, which facts were  
4 necessary to disclose in order to make the statements made about  
5 the investment, in light of the circumstances under which they were  
6 made, not misleading:

7           a. that IHIs losses for the year of 1997 had increased to  
8 \$7.6 million from the \$1.9 million listed in IHIs offering circular;

9           b. that IHIs compensation scheme is premised primarily on  
10 recruitment of new members;

11           c. that IHIs did not adequately monitor or enforce compliance  
12 with IHIs policies and procedures by independent sales  
13 representatives; and,

14           d. that IHIs markets the business center program utilizing  
15 and emphasizing hypothetical earnings projections.

16       8. In connection with the above offers of securities to  
17 persons in Montana, Respondents violated § 30-10-301(1)(c), MCA, by  
18 engaging in an act, practice, or course of business which operates  
19 or would operate as a fraud or deceit upon any person in that:

20           a. the IHIs business center program constituted a pyramid  
21 scheme; and,

22           b. IHIs directed sales representatives not to contact state  
23 regulators in order to avoid investigations or inquiries into the  
24 IHIs business center program.

25

## ORDER

2        Respondents are hereby ordered to cease and desist issuing,  
3 offering, and selling securities to persons in this state in  
4 violation of the Securities Act of Montana.

5       The above-cited violations are sufficient grounds for the  
6 imposition of an administrative fine not to exceed \$5,000.00 per  
7 violation upon any person found to have engaged in any act or  
8 practice constituting a violation of any provision of the  
9 Securities Act of Montana or any rule or order promulgated  
10 thereunder. Section 30-10-305, MCA. The above-cited violations  
11 are sufficient grounds for the imposition of and order requiring  
12 the payment of restitution and other costs to investors. Section  
13 30-10-309, MCA. You will receive notice and/or an opportunity to  
14 be heard prior to the imposition of any fine or an order of  
15 restitution.

16       Section 30-10-306(1), MCA, provides that any willful violation  
17       of this order, upon conviction, may be punished by imprisonment for  
18       not more than ten (10) years and/or a fine not exceeding five  
19       thousand dollars (\$5,000).

## NOTICE

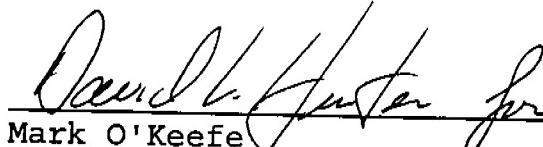
21        Respondents are notified that this order has been issued by  
22 the commissioner. If Respondents wish to contest the allegations  
23 herein, they shall make a written request for a hearing to  
24 Elizabeth A. O'Halloran of this office within fifteen (15) days of

1 receipt of this order. The hearing shall then be held within  
2 thirty (30) days of the commissioner's receipt of the hearing  
3 request unless the time is extended by agreement of the parties.  
4 If no hearing is requested within fifteen (15) days of receipt of  
5 this order by Respondents, and none is ordered by the commissioner,  
6 this order shall become permanent.

7 Should you request a hearing, you have the right to be  
8 accompanied, represented, and advised by counsel. If the counsel  
9 you choose has not been admitted to practice law in the State of  
10 Montana, he or she must comply with the requirements of Application  
11 of American Smelting and Refining, Co., (1973), 164 Mont. 139, 520  
12 P.2d 103.

13

14 DATED this third day of April, 1998.

15  
16   
17 Mark O'Keefe  
18 State Auditor and  
Commissioner of Securities

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1                   CERTIFICATE OF SERVICE

2                   I hereby certify that I mailed a true and correct copy of the  
3 foregoing CEASE AND DESIST ORDER to the following persons by  
4 depositing the same in the U.S. Mail - certified - return receipt  
5 requested - on this 3rd day of April, 1998.

6                   International Heritage, Inc.  
7                   2626 Glenwood Ave., Suite 200  
Raleigh, NC 27608

8                   Stanley H. Van Etten  
9                   2626 Glenwood Ave., Suite 200  
Raleigh, NC 27608

10                  Claude W. Savage  
11                  2626 Glenwood Ave., Suite 200  
Raleigh, NC 27608

12                  Larry G. Smith  
13                  2626 Glenwood Ave., Suite 200  
Raleigh, NC 27608

14                  Johnny Daniels  
15                  Hwy. 191  
Malta, MT 59538

16                  International Heritage Incorporated  
17                  2626 Glenwood Ave., Suite 200  
Raleigh, NC 27608

19                  \_\_\_\_\_  
20                  Sandi Buntz  
21                  State Auditor's Office

1 STATE AUDITOR'S OFFICE  
2 SECURITIES DEPARTMENT  
3 HELENA, MONTANA

4 IN THE MATTER OF: ) CASE NO. I-04-02-98-04  
5 International Heritage, Inc., )  
Stanley H. Van Etten, ) FIRST AMENDED  
Claude W. Savage, ) CEASE AND DESIST ORDER  
Larry G. Smith, )  
and )  
International Heritage, )  
Incorporated, a Nevada corporation,) )  
and their agents & )  
representatives, )  
Respondents. )

12 The Montana Securities Commissioner (Commissioner), pursuant  
13 to the authority of the Securities Act of Montana, § 30-10-101,  
14 et seq., hereby issues the following findings of fact,  
15 conclusions of law, order and notice of right to a public  
16 hearing:

17 FINDINGS OF FACT

18 1. International Heritage, Inc., (IHI) is a North Carolina  
19 corporation whose principal offices are located in Raleigh, North  
20 Carolina. International Heritage, Inc., is a majority owned  
21 subsidiary of International Heritage Incorporated, a Nevada  
22 Corporation (IHI-N) (formerly "Kara International, Inc.").

23 2. Stanley H. Van Etten (Van Etten), is a founder,  
24 chairman of the board of directors, president, and chief  
25 executive officer of IHI, and is chairman of the board and chief

1 executive officer of IHI-N.

2       3. Claude W. Savage (Savage) is a founder and a director  
3 of IHI and is director of IHI-N.

4       4. Larry G. Smith (Smith) is a founder and director of IHI  
5 and a director of IHI-N.

6       5. IHI, its principals, employees, and agents solicited  
7 investments in IHI's program in Montana through the use of  
8 promotional materials, videotapes, recruitment meetings, and  
9 internet web sites. IHI, through Van Etten, Savage, Smith, and  
10 others solicited residents of Kalispell, Anaconda, Butte,  
11 Billings, Bozeman, Lewistown, Great Falls, Glasgow, Malta,  
12 Glendive, Roundup, Forsyth, Havre, Columbia Falls, Stevensville,  
13 Helena, and other Montana towns to invest in a pyramid scheme.

14       6. IHI interests are described as "business centers," of  
15 which an investor may open one, three, or seven. In order to  
16 open or create a "certified" business center, Montana investors  
17 were generally required to pay the sum of \$200.00 to \$250.00  
18 toward the purchase of an IHI product, sign a "retail business  
19 agreement," purchase an IHI retail business career kit for \$100,  
20 and pay a \$25.00 administrative fee.

21       7. At all times material hereto, IHI solicited Montana  
22 investors through the purported use of a "multi-level" marketing  
23 program in which prospective investors are recruited by investors  
24 who have already purchased interests in IHI. IHI established an  
25 incentive for recruitment of downline sales representatives by

1 promising payment of override commissions to independent sales  
2 representatives for IHI product and business center sales by that  
3 representative's downline (retail sales organization).

4       8. According to the IHI's bi-lateral compensation plan,  
5 independent sales representatives could earn override commissions  
6 only if their own retail business center was "certified."

7       9. At all times material hereto, IHI promotional and sales  
8 materials indicated that investors could earn up to \$2,200 to  
9 \$2,500 per retail business center weekly. These projected  
10 earnings were based on the recruitment of downline independent  
11 sales representatives, rather than the sale of products on the  
12 retail market. Similarly, the compensation structure, which  
13 included a compensation cap attached to single business center  
14 earnings, encouraged the purchase of multiple business centers by  
15 investors.

16       10. Although commissions on the sale of products were  
17 described in the promotional and sales material, the income from  
18 the development of the retail sales organization was emphasized  
19 as the significant source of income from involvement with IHI.  
20 Similarly, IHI disproportionately emphasized retail sales  
21 organization development through the promise of bonuses and  
22 commissions which were not available to an independent sales  
23 representative whose organization focused on retail product  
24 sales.

25       11. At all times material hereto, the IHI compensation

1 structure and sales pitch regarding "leveraging retail sales  
2 business volume" served as incentive to develop the downline and  
3 disincentive to generate retail sales business volume through the  
4 sale of IHI products, thus perpetuating the pyramid scheme. The  
5 IHI sales kit contains a book co-authored by Van Etten which  
6 emphasizes the importance of downline regeneration. In addition  
7 to emphasizing the importance of geometric growth in marketing  
8 the IHI interests, IHI's training materials clearly discourage  
9 independent sales representatives from developing the retail sale  
10 portion of the representatives' businesses. Van Etten's book  
11 states:

12 There are two things that the successful network marketer  
13 must be very good at doing which are altogether foreign to  
the traditional salesperson: (1) He must be an organization  
builder, and (2) He must be a teacher. We will speak of  
14 these two things at much greater length later in this  
chapter, but suffice it to say at this point that there is  
15 nothing in the experience of the traditional salesperson  
that would cause him to assign any value to either of these  
16 two skills which are so essential to the individual who  
wants to succeed in network marketing. In fact, the  
17 traditional salesperson's natural tendency would be to see  
both organization-building and teaching as irrelevant  
18 obstacles to be swept out of the way of what he sees as the  
one all-important task of every salesperson - selling.  
19 \*\*\*

20 Earlier in this chapter we said that there is a risk in  
21 sponsoring persons who have considerable experience in  
direct sales. This is a good place to explain why that is  
the case. An experienced salesperson might come into your  
22 downline and recruit like crazy. But if he fails to teach  
his recruits the importance of the company's multilevel  
23 sales structure and the necessity for "keeping it going,"  
then he would fill your downline organization with dead-end  
24 roadblocks. (Emphasis in original).

25 12. Though references to minimum retail sales requirements

1 regulations affecting a direct marketing sales company with  
2 operations in 48 states and 3 Canadian provinces.

3 Though the memorandum was written in March 1996, it was included  
4 in an IHI business retail business career kit sold to a Montana  
5 resident months later.

6 14. Despite IHI's claims in sales presentations and  
7 materials that its program complies with state and federal laws  
8 that affect direct marketing organizations, IHI entered into  
9 agreements limiting IHI activities in the state of North Carolina  
10 on June 3, 1997, and in the state of Georgia on February 10,  
11 1998, as a result of regulatory concerns in those states. North  
12 Carolina regulators alleged that IHI violated North Carolina  
13 pyramid laws. These actions were not disclosed to Montana  
14 residents offered or sold IHI business center interests.

15 15. Between August 5, 1997, and October 31, 1997, IHI,  
16 through Van Etten, Savage, Smith, and others, raised \$5 million  
17 by selling IHI notes convertible into IHI common stock, to  
18 approximately 95 persons in fourteen states, including at least 6  
19 persons in Montana.

20 16. On August 14, 1997, IHI filed a notice filing for an  
21 exemption on Form D, indicating it sold an aggregate of \$295,00  
22 of IHI units to six accredited Montana investors. The  
23 application indicated that WIN Capital was the broker/dealer  
24 making offers and/or sales to Montana investors.

25 17. In connection with the offer and sale of IHI notes, IHI

1 and inventory loading prohibitions are included in the  
2 independent retail sales representative manual, IHI's  
3 compensation program is based on orders of products, rather than  
4 actual sales of products, and override commissions are promised  
5 for orders made within the retail sales organization.  
6 Furthermore, IHI's program structure does not provide a method by  
7 which inventory loading requirements and requirements for retail  
8 sales to non-participants are meaningfully enforced. As of the  
9 date of this order, a disproportionate amount of products ordered  
10 from IHI through the use of the "retail business agreement" in  
11 Montana have never been received by the purchasers of the  
12 product.

13       13. On or about March 28, 1996, IHI issued a memorandum  
14 addressed to all IHI representatives which required that  
15 representatives wishing to conduct due diligence on the company  
16 should direct "all of [their] compliance, regulatory and legal  
17 questions to the Compliance Department at the home office rather  
18 than the Better Business Bureau or state regulators." IHI  
19 further stated that "[i]f enough inquiries are made to any one  
20 particular regulatory branch, within a particular state, the  
21 result could be an investigation of the Company spurned {sic} by  
22 the mere volume of calls." The memorandum further stated that:

23       The reason IHI is one of the only multilevel marketing  
24 companies with a Compliance Department is so representatives  
25 will have a source for receiving answers to compliance,  
regulatory and legal questions and to assure that the  
Company operates in compliance with the myriad of

1 authorized the use of a "term sheet," dated July 17, 1997, which  
2 disclosed that IHI had losses of approximately \$1.9 million  
3 during the first four months of 1997. The term sheet did not  
4 disclose that by the time of the offering IHI's losses for the  
5 year had increased to \$7.6 million, and that IHI had a shortage  
6 of operating funds.

7       18. The term sheet states that IHI pays commissions and  
8 bonuses "derived solely from sales as opposed to headhunting or  
9 any similar activities," despite IHI's emphasis on compensation  
10 opportunities based on recruitment and development of retail  
11 sales organizations.

12       19. The term sheet states that representatives "who sponsor  
13 other representatives must fulfill supervisory activities,  
14 including ongoing communication and managerial supervision with  
15 the IRSRs within their Retail Sales Organization in order to  
16 qualify for ongoing commissions and bonuses," despite the absence  
17 of enforcement efforts by IHI to ensure compliance.

18       20. The term sheet represents that IHI has a "a prohibition  
19 from presenting hypothetical earnings projections" in sales  
20 presentations, despite IHI's standard use of projections that  
21 each business center could earn up to \$2,500 weekly.

22       21. IHI represented to the Montana Securities Department  
23 that the offering of IHI notes would be conducted by WIN Capital  
24 Corp., a registered broker-dealer.

25       22. The records of the Montana Securities Department

1 disclose that Respondents were not registered as broker-dealers  
2 or salesmen in this state prior to the date of this Order.

3       23. The records of the Montana Securities Department  
4 disclose that the IHI business center program offered by  
5 Respondents was not registered as a security in this state prior  
6 to the date of this Order.

7       24. In connection with the above offers of IHI business  
8 center interests to persons in Montana, Respondents failed to  
9 disclose the following material facts, which facts were necessary  
10 to disclose in order to make the statements made about the  
11 investment, in light of the circumstances under which they were  
12 made, not misleading:

13       a. the market for IHI business center interests will  
14 eventually become saturated as the supply of new members declines  
15 and representatives recruited near the bottom of the retail sales  
16 organization structure may be unable to generate promised  
17 returns;

18       b. IHI was the subject of regulatory actions or inquiries  
19 in at least three other states based on the allegation that IHI's  
20 program violated state pyramid and securities laws;

21       c. that Savage and Smith were previously involved in a  
22 pyramid scheme which was the subject of state and federal  
23 administrative and criminal proceedings, including the issuance  
24 of a permanent Cease and Desist Order in Montana;

25       d. that IHI was not an authorized dealer for some of the

1 products listed in its retail sales catalogs and brochures; and,  
2 e. at all times material hereto, IHIs program was not  
3 registered as a security in the state of Montana.

4 25. In connection with the above offers and sales of IHIs  
5 notes convertible to IHIs common stock to persons in Montana,  
6 Respondents failed to disclose the following material facts,  
7 which facts were necessary to disclose in order to make the  
8 statements made about the investment, in light of the  
9 circumstances under which they were made, not misleading:

10 a. that IHIs losses for the year of 1997 had increased to  
11 \$7.6 million from the \$1.9 million listed in IHIs offering  
12 circular;

13 b. that IHIs compensation scheme is premised primarily on  
14 recruitment of new members;

15 c. that IHIs did not adequately monitor or enforce  
16 compliance with IHIs policies and procedures by independent sales  
17 representatives; and,

18 d. that IHIs markets the business center program utilizing  
19 and emphasizing hypothetical earnings projections.

20 26. In connection with the above offers of securities to  
21 persons in Montana, Respondents engaged in an act, practice, or  
22 course of business which operates or would operate as a fraud or  
23 deceit upon any person in that:

24 a. the IHIs business center program constituted a pyramid  
25 scheme; and,

1           b. IHI directed sales representatives not to contact state  
2 regulators in order to avoid investigations or inquiries into the  
3 IHI business center program.

4           27. Respondent Van Etten, on behalf of IHI, falsely  
5 informed Montana agents and representatives of IHI on or about  
6 April 8, 1998, that the Commissioner had agreed to rescind or  
7 cancel the April 3, 1998, Cease and Desist Order and that IHI's  
8 Montana representatives and agents were no longer subject to that  
9 Order.

10          28. Respondent Van Etten, on behalf of IHI, failed to  
11 disclose to Montana agents and representatives of IHI on or about  
12 April 9, 1998, the following material facts which facts were  
13 necessary to disclose in order to make the statements made not  
14 misleading in light of the circumstances under which they were  
15 made:

16          a. that the Commissioner had not agreed to rescind or  
17 cancel the April 3, 1998, Cease and Desist Order;

18          b. that IHI's Montana agents and representatives were still  
19 subject to the Commissioner's April 3, 1998, Cease and Desist  
20 Order.

21          29. Respondent Van Etten, on behalf of IHI, falsely  
22 informed Montana agents and representatives of IHI on or about  
23 April 15, 1998, that "we've already solved the problem" of the  
24 April 3, 1998, Cease and Desist Order; that the April 3, 1998,  
25 Cease and Desist Order is "going away" and "we're off their radar

1 scope"; and that the Commissioner had erred in issuing the Order.

2 CONCLUSIONS OF LAW

3 1. The Commissioner has jurisdiction over this matter by  
4 reason of Respondents' offer and sale of securities to persons in  
5 or from Montana.

6 2. Respondents' program is a security within the meaning  
7 of the Securities Act of Montana, § 30-10-103(22), MCA.

8 3. Offer or offer to sell includes "every attempt or offer  
9 to dispose of or solicitation of an offer to buy a security or  
10 interest in a security for value." Section 30-10-103(15), MCA.

11 4. In connection with the above offers of securities to  
12 persons in Montana, Respondents violated § 30-10-201(1), MCA, by  
13 transacting business as broker-dealers or salesmen in Montana  
14 without registering as such.

15 5. In connection with the above offers of securities to  
16 persons in Montana, Respondents violated § 30-10-202, MCA, by  
17 transacting business in unregistered securities.

18 6. In connection with the above offers of securities to  
19 persons in Montana, Respondents violated § 30-10-301(1) (b), MCA,  
20 by failing to disclose the following material facts, which facts  
21 were necessary to disclose in order to make the statements made  
22 about the investment, in light of the circumstances under which  
23 they were made, not misleading:

24 a. the market for IHI business center interests will  
25 eventually become saturated as the supply of new members declines

1 and representatives recruited near the bottom of the retail sales  
2 organization structure may be unable to generate promised  
3 returns;

4 b. IHI was the subject of regulatory actions or inquiries  
5 in at least three other states based on the allegation that IHI's  
6 program violated state pyramid and securities laws;

7 c. that Savage and Smith were previously involved in a  
8 pyramid scheme which was the subject of state and federal  
9 administrative and criminal proceedings;

10 d. that IHI was not an authorized dealer for some of the  
11 products listed in its retail sales catalogs and brochures; and,

12 e. at all times material hereto, IHI's program was not  
13 registered as a security in the state of Montana.

14 7. In connection with the above offers of securities to  
15 persons in Montana, Respondents violated § 30-10-301(1)(b), MCA,  
16 by failing to disclose the following material facts, which facts  
17 were necessary to disclose in order to make the statements made  
18 about the investment, in light of the circumstances under which  
19 they were made, not misleading:

20 a. that IHI's losses for the year of 1997 had increased to  
21 \$7.6 million from the \$1.9 million listed in IHI offering  
22 circular;

23 b. that IHI's compensation scheme is premised primarily on  
24 recruitment of new members;

25 c. that IHI did not adequately monitor or enforce

1 compliance with IHI policies and procedures by independent sales  
2 representatives; and,

3 d. that IHI markets the business center program utilizing  
4 and emphasizing hypothetical earnings projections.

5 8. In connection with the above offers of securities to  
6 persons in Montana, Respondents violated § 30-10-301(1)(c), MCA,  
7 by engaging in an act, practice, or course of business which  
8 operates or would operate as a fraud or deceit upon any person in  
9 that:

10 a. the IHI business center program constituted a pyramid  
11 scheme; and,

12 b. IHI directed sales representatives not to contact state  
13 regulators in order to avoid investigations or inquiries into the  
14 IHI business center program.

15 9. In connection with the above offers of securities to  
16 persons in Montana, Respondents Van Etten and IHI violated § 30-  
17 10-301(1), MCA, when they falsely informed Montana agents and  
18 representatives of IHI on or about April 8, 1998, that the  
19 Commissioner had agreed to rescind or cancel the April 3, 1998,  
20 Cease and Desist Order and that they were no longer subject to  
21 that Order.

22 10. In connection with the above offers of securities to  
23 persons in Montana, Respondents Van Etten and IHI violated § 30-  
24 10-301(1), MCA, when they falsely informed Montana agents and  
25 representatives of IHI on or about April 15, 1998, that "we've

1 already solved the problem" of the April 3, 1998, Cease and  
2 Desist Order; that the April 3, 1998, Cease and Desist Order is  
3 "going away" and "we're off their radar scope"; and that the  
4 Commissioner had erred in issuing the Order.

5 11. Respondent Van Etten and IHI violated §30-10-302, MCA,  
6 when they failed to disclose to Montana agents and  
7 representatives of IHI on or about April 9, 1998, the following  
8 material facts which facts were necessary to disclose in order to  
9 make the statements made not misleading in light of the  
10 circumstances under which they were made:

- 11 a. that the Commissioner had not agreed to rescind or  
12 cancel the April 3, 1998, Cease and Desist Order;
- 13 b. that IHI's Montana agents and representatives were still  
14 subject to the Commissioner's April 3, 1998, Cease and Desist  
15 Order.

16 12. Respondents Van Etten and IHI violated §30-10-302, MCA,  
17 when they knowingly made a materially false or misleading  
18 statement by informing Montana agents and representatives of IHI  
19 on or about April 8, 1998, that the Commissioner had agreed to  
20 rescind or cancel the April 3, 1998, Cease and Desist Order and  
21 that they were no longer subject to that Order.

22 13. Respondents Van Etten and IHI violated §30-10-302, MCA,  
23 when they knowingly made a materially false or misleading  
24 statement by informing Montana agents and representatives of IHI  
25 on or about April 15, 1998, that "we've already solved the

1 problem" of the April 3, 1998, Cease and Desist Order; that the  
2 April 3, 1998, Cease and Desist Order is "going away" and "we're  
3 off their radar scope"; and that the Commissioner had erred in  
4 issuing the Order.

ORDER

6            Respondents are hereby ordered to cease and desist issuing,  
7 offering, and selling securities to persons in this state in  
8 violation of the Securities Act of Montana. Respondents Van  
9 Etten and IHI are also hereby ordered to cease and desist  
10 knowingly making any materially false or misleading statement  
11 regarding the April 3, 1998, Cease and Desist Order, the effect  
12 of that Order, or the status of that Order.

The above-cited violations are sufficient grounds for the imposition of an administrative fine not to exceed \$5,000.00 per violation upon any person found to have engaged in any act or practice constituting a violation of any provision of the Securities Act of Montana or any rule or order promulgated thereunder. Section 30-10-305, MCA. The above-cited violations are sufficient grounds for the imposition of an order requiring the payment of restitution and other costs to investors. Section 30-10-309, MCA. Staff is recommending that the Commissioner impose total fines of \$250,000 and order Respondents Van Etten, IHI, IHI-N, Savage, and Smith to make restitution for all financial losses sustained by Montana residents as a result of Respondents' violations of the Montana Securities Act.

Section 30-10-306(1), MCA, provides that any willful violation of this order, upon conviction, may be punished by imprisonment for not more than ten (10) years and/or a fine not exceeding five thousand dollars (\$5,000).

## **NOTICE**

6            Respondents are notified that this Order has been issued by  
7 the Commissioner. If Respondents wish to contest the allegations  
8 herein, they shall make a written request for a hearing to  
9 Elizabeth A. O'Halloran of this office within fifteen (15) days  
10 of receipt of this Order. The hearing shall then be held within  
11 thirty (30) days of the Commissioner's receipt of the hearing  
12 request unless the time is extended by agreement of the parties.  
13 If no hearing is requested within fifteen (15) days of receipt of  
14 this order by Respondents, and none is ordered by the  
15 Commissioner, this Order shall become permanent.

16       Should you request a hearing, you have the right to be  
17      accompanied, represented, and advised by counsel. If the counsel  
18      you choose has not been admitted to practice law in the State of  
19      Montana, he or she must comply with the requirements of

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1      Application of American Smelting and Refining, Co. (1973), 164  
2      Mont. 139, 520 P.2d 103.

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4      DATED this 20th day of April, 1998.

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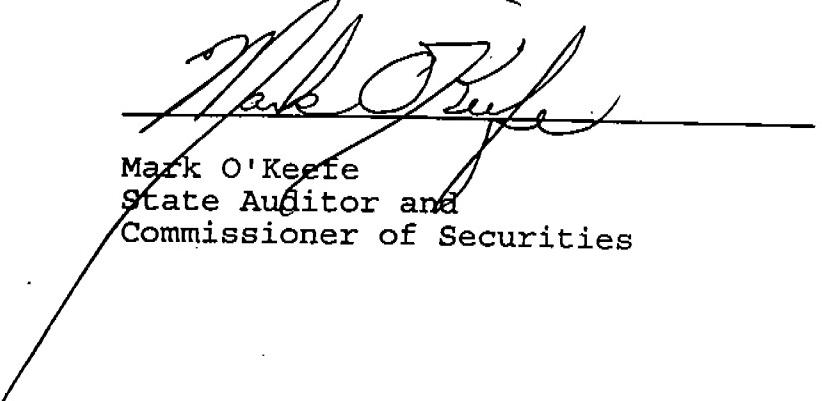
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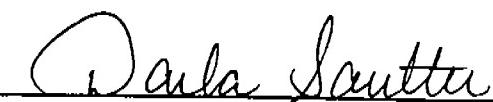
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Mark O'Keefe  
State Auditor and  
Commissioner of Securities

1                   CERTIFICATE OF SERVICE

2                   I hereby certify that I hand-delivered a true and correct  
3 copy of the foregoing Cease and Desist Order to the following  
4 persons by depositing the same in the U.S. Mail - certified -  
5 return receipt requested - on this 20 day of April,  
6 1998.

7                   Dennis Loveless, Esq.  
8                   320 E. 6th Ave.  
9                   Helena, MT 59601

10                    
11                  State Auditor's Office

**U.S. Bankruptcy Court for the Eastern District of North Carolina**  
CLERK, U.S. BANKRUPTCY COURT  
POST OFFICE BOX 1441  
RALEIGH, N.C. 27602-1441

In Re a *Petition for Relief under Chapter 7 of Title 11, U.S. Code*, filed by or against the below-named Debtor on November 25, 1998:

DEBTOR: INTERNATIONAL HERITAGE, INC. of C/O MAYFLOWER CAPITAL, LLC, 2626 GLENWOOD AVENUE, SUITE 100, RALEIGH, NC 27608; SSN: N/A, EIN: 56-1921093  
CASE NO. 98-02675-5-ATS

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**ORDER AND NOTICE  
BY THE COURT**

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**CERTIFICATE OF MAILING**

I am a regularly appointed and qualified deputy clerk in the office of the clerk, in and for said court and district, and I hereby certify that a copy of the attached document was mailed in a postage prepaid envelope addressed to the following at their respective addresses, by placing said envelope in the regular mail in Raleigh, NC, on this date.

DATED: 14 JUN 2000

  
\_\_\_\_\_  
DEPUTY CLERK

INTERNATIONAL HERITAGE, INC.  
C/O MAYFLOWER CAPITAL, LLC  
RALEIGH, NC 27608

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